

## **Understanding divergence of living standards between Asia and Europe: a proposition of regionally dominant cultural effects**

### **ABSTRACT**

This paper aims to compare living standards in Asia and in Europe with respect to several cultural dimensions to which the research on economic prosperity has paid attention. Some studies pool countries in multiple regions to identify cultural effects on economic prosperity, and this paper argues that such regional differences in culture must be considered. In addition to empirically distinguishing Asia and Europe in terms of living standards with respect to selected cultural dimensions, this study also distinguishes and investigates regions within Europe. A theoretical argument explains each region's dominant cultural dimension, thereby hypothesizing regionally distinct effects of culture on living standards. A quadruple model is developed, and different samples are used to test the reliability and validity of the theoretical proposition. Two cultural dimensions, individualism and power distance, are identified as hallmarks of the divergence of living standards between Asia and Europe. Individualism has a significantly positive effect in Europe but insignificant in Asia, whereas the findings are opposite for power distance. The results remain robust even after controlling for confounders. The findings suggest potential barriers to maximizing the effectiveness of economic policies because a development approach adopted from Europe could be less effective in Asia, and vice versa, owing to a different dominant culture.